

Message Text

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15

ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 USIA-15

PRS-01 DRC-01 /169 W

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R 291937Z MAR 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3205

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DEPT. PASS ALL ARA CAPITALS

E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: DISPOSAL OF ROYALTY OIL

1. VENEZUELAN GOVERNMENT, IN ACCORDANCE WITH NOTIFICATIONS GIVEN OIL COMPANIES TWO MONTHS AGO, IS SCHEDULED TO BEGIN RECEIVING ON APRIL 8, 100,000 B/D OF ROYALTY OIL. THERE ARE INDICATIONS THAT THIS SITUATION, CONTRIVED BY PREVIOUS GOVERNMENT, WILL NOT BE AN ALTOGETHER HAPPY ONE FOR NEW GOVERNMENT.

2. UNDER NEW ROYALTY FORMULA, VALUE OF THIS OIL IS ABOUT \$14.04 WHICH WILL PRESUMABLY BE TRANSFER PRICE COMPANY WILL DEMAND FROM STATE OIL COMPANY (CVP). A KNOWLEDGEABLE CREOLE OFFICIAL ASSERTS THAT HIS COMPANY IS NOW SELLING OIL ON U.S. EAST COAST FOR A PRICE IN THE NEIGHBORHOOD OF \$10/BARREL, AND HE WONDERS HOW CVP WILL FIND IT POSSIBLE TO PLACE ROYALTY OIL AT OVER \$14. HE SAID CREOLE HAS NOT YET BEEN INFORMED BY GOVERNMENT OF WHICH TYPES OF OIL IT WILL BE REQUIRED TO DELIVER UNDER ROYALTY PROGRAM, BUT COMPANY ITSELF HAS PROPOSED TO GIVE GOVERNMENT A TYPICAL CRUDE

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THAT REPRESENTS WEIGHTED AVERAGE OF ALL CREOLE PRODUCTION.

3. MINISTER OF MINES AND HYDROCARBONS DENIED IN STATEMENT TO PRESS MARCH 28 THAT VENEZUELA IS HAVING DIFFICULTIES PLACING ROYALTY OIL. HE SAID, ON CONTRARY, VENEZUELA HAD RECEIVED REQUESTS FROM MEXICAN AND FROM PERUVIAN STATE OIL COMPANIES AND IS EXPECTING ORDERS FROM BRAZILIAN STATE OIL COMPANY. MINISTER REPORTEDLY ADDED THAT COMMERCIAL FIRMS ARE ALSO INTERESTED IN THIS OIL BUT THAT VENEZUELA IS NOT INTERESTED IN NEGOTIATING IT WITH PRIVATE NORTH AMERICAN FIRMS BUT RATHER PREFERS TO DEAL WITH STATE OIL COMPANIES, ESPECIALLY THOSE OF LATIN AMERICA.
MCCLINTOCK

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.

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Message Attributes

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